

State of California

Golden State Scholarshare Trust

Scholarshare Investment Board

Statement
of
Portfolio Investment Policy

The primary purpose of the Golden State Scholarshare Trust is to establish a program that will encourage the citizens of California and others to invest money for future higher education uses. The Trust is seeking a combination of capital appreciation and income for its investments without sacrificing reasonable levels of safety and liquidity.

Investment Objectives

The program should strive to provide the highest investment return possible while recognizing the risk tolerance characteristics and cash needs of the program participants and keeping administrative costs to a minimum. In accomplishing this goal, due consideration is to be given to the fact that the investment horizon for participants will vary from a few months to more than twenty years.

Authorized Investments

There are no statutory restrictions on the types of investments that can be made by the Trust. In a written, numbered and citable (but unpublished) opinion, the Attorney General for the State of California has indicated that the money in the Trust would not be State money and, therefore, not subject to the statutory and constitutional restrictions that apply to State funds. Thus, the universe of possible investment options for the Trust includes: equities (both domestic and foreign); real estate; corporate and government debt instruments (of any maturity); commodities; currency and any other investment vehicle utilized in the marketplace.

Limitations on Investments

The holdings of the Trust are to be limited to the following, broad asset categories.

- Domestic equities and international equities
- Medium and long-term debt obligations of domestic corporations
- U.S. government and government sponsored entities debt obligations
- Money market instruments and cash
- Investments in mutual funds, but limited to existing, rated mutual funds, which are registered in the United States and denominated in U.S. dollars
- Money market mutual funds, which are registered in the United States and denominated in U.S. dollars
- Institutional Growth Equity Fund, Institutional Bond Fund, Institutional International Equity Fund, Institutional Money Market Fund, Institutional Growth and Income Fund, Institutional Equity Index Fund, Institutional Large-Cap Value Index, Institutional Small-Cap Blend Index Fund, and Institutional Social Choice Equity Mutual Fund offered by TIAA-CREF.
- Guaranteed account in TIAA-CREF Life Insurance Company

Governor's Scholars Award Program

The guaranteed funding agreement with TIAA-CREF Life Insurance Company is the approved investment for deposits to the Governor's Scholars Award program.

Prohibited Investments

No funds of the Scholarshare Trust are to be directly invested in real estate, commodities, or any types of investments not specifically authorized above.

Fund Benchmarks

When evaluating the performance of any of the Trust's fund managers, industry standard indices related to each of the above asset classes and the rate of return for the Pooled Money Investment Account of the State of California will be used except that the following indices will be used for TIAA-CREF Institutional Funds:

FUND**BENCHMARK**

Institutional Equity Index	Russell 3000 Index
Institutional Growth Equity	Russell 1000 Growth Index
Institutional Bond Fund	Lehman Brothers Aggregate Bond Index
Institutional Money Market Fund	iMoneyNet Money Fund Report Averages - All Taxable
Institutional International Equity Fund	MSCI EAFE
Institutional Growth and Income Fund	S&P 500 Index
Institutional Large-Cap Value Index	Russell 1000 Value Index
Institutional Small-Cap Blend Index Fund	Russell 2000 Index
Institutional Social Choice Equity Fund	Russell 3000 Index

Asset Allocation Guidelines

For the age-based option, the allocation of Trust assets among the authorized investment categories should reflect the time horizons of the Trust's beneficiary population (i.e., the length of time between a child's age and anticipated college enrollment date) as well as the risk tolerances for the different age groups. Based on these principles, the guidelines for the allocation of Trust assets shall be as shown in the table below beginning January 1, 2004 until the revision of this table by the Scholarshare Investment Board.

Aged-Based Asset Allocation Option:**ASSET ALLOCATION PERCENTAGES**

Year of Birth	Investm't Horizon	Growth Equity	Growth & Income	Equity Index	Small Cap Blend	Large Cap Value	Internat'l Equity	Total Equities	Bond	Money Market
2004-2005	21 years	5.60%	19.20%	28.00%	4.80%	6.40%	16.00%	80%	20%	0%
2002-2003	19 years	5.25%	18.00%	26.25%	4.50%	6.00%	15.00%	75%	25%	0%
2000-2001	17 years	4.90%	16.80%	24.50%	4.20%	5.60%	14.00%	70%	30%	0%
1998-1999	15 years	4.20%	14.40%	21.00%	3.60%	4.80%	12.00%	60%	40%	0%
1996-1997	13 years	3.50%	12.00%	17.50%	3.00%	4.00%	10.00%	50%	50%	0%
1994-1995	11 years	3.15%	10.80%	15.75%	2.70%	3.60%	9.00%	45%	55%	0%
1992-1993	9 years	2.80%	9.60%	14.00%	2.40%	3.20%	8.00%	40%	60%	0%
1990-1991	7 years	2.10%	7.20%	10.50%	1.80%	2.40%	6.00%	30%	60%	10%
1988-1989	5 years	1.75%	6.00%	8.75%	1.50%	2.00%	5.00%	25%	45%	30%
Pre-1988	3 years	1.40%	4.80%	7.00%	1.20%	1.60%	4.00%	20%	30%	50%

Aggressive Aged-Based Asset Allocation Option:

ASSET ALLOCATION PERCENTAGES

Year of Birth	Investm't Horizon	Growth Equity	Growth & Income	Equity Index	Small Cap Blend	Large Cap Value	Internat'l Equity	Total Equities	Bond	Money Market
2004-2005	21 years	7.00%	24.00%	35.00%	6.00%	8.00%	20.00%	100%	0%	0%
2002-2003	19 years	6.65%	22.80%	33.25%	5.70%	7.60%	19.00%	95%	5%	0%
2000-2001	17 years	5.95%	20.40%	29.75%	5.10%	6.80%	17.00%	85%	15%	0%
1998-1999	15 years	5.60%	19.20%	28.00%	4.80%	6.40%	16.00%	80%	20%	0%
1996-1997	13 years	5.25%	18.00%	26.25%	4.50%	6.00%	15.00%	75%	25%	0%
1994-1995	11 years	4.90%	16.80%	24.50%	4.20%	5.60%	14.00%	70%	30%	0%
1992-1993	9 years	4.20%	14.40%	21.00%	3.60%	4.80%	12.00%	60%	40%	0%
1990-1991	7 years	3.50%	12.00%	17.50%	3.00%	4.00%	10.00%	50%	50%	0%
1988-1989	5 years	3.15%	10.80%	15.75%	2.70%	3.60%	9.00%	45%	55%	0%
1986-1987	3 years	2.80%	9.60%	14.00%	2.40%	3.20%	8.00%	40%	60%	0%
Pre-1986	1 year	2.10%	7.20%	10.50%	1.80%	2.40%	6.00%	30%	60%	10%

100% Equity Option:

The allocation of Trust assets in the 100% Equity Option will be determined by the ScholarShare Investment Board annually. The asset allocation shall be 80 percent TIAA-CREF Institutional Growth and Income Fund and 20 percent TIAA-CREF Institutional International Equity Fund beginning January 15, 2003 until the revision of this allocation by the Board.

Implementation of Asset Allocation Guidelines

The investment manager will have a commercially reasonable period of time (not to exceed forty-five (45) days) when implementing new asset allocation guidelines or when re-balancing the portfolio. In addition, the investment manager will have a range not to exceed three percent (3%) above or below the base percentages of the mutual fund assets indicated in the asset allocation guidelines.

Suspension of Allocation Guidelines

In the event of unusual or cataclysmic market events the Chair of the Scholarshare Investment Board will determine that such event has occurred that requires suspension of the asset allocation guidelines. The Chair will issue a written communication of the suspension and issue revised investment instructions to the investment manager within twenty-four hours. The Chair will then call a public meeting of the entire Investment Board to be held within fifteen days of the determination. At this meeting the Board will confirm the Chair's action or, if his or her determination is rejected, issue different specific investment instructions to the investment manager.